



Case Study

Shared Value in Banking: The Community Bank Model

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Leading development of shared value in Australia
www.sharedvalue.org.au

**SHARED
VALUE
PROJECT**

Company Description

Bendigo Bank had its origins on the Bendigo goldfield in 1858, before forming the Bendigo Land and Building Society primarily financing miners' cottages. Its purpose being to act as a key enabler for local community building and strengthening.

The Bendigo Land and Building Society converted to a bank on 1 July 1995, under the name "Bendigo Bank Limited", at which time it was Australia's oldest and Victoria's largest building society.

In 2007 Bendigo Bank Limited merged with Adelaide Bank Limited and changed its name to "Bendigo and Adelaide Bank Limited".

In 1998 Bendigo Bank established its unique Community Bank® branch model under which Bendigo Bank and a specially established local community company operate a branch together. The community company has three primary sources of revenue paid to it by Bendigo Bank under a franchise agreement:

1. Margin Share – products and services on which a margin is paid;
2. Commissions – paid to the community company by Bendigo Bank for products and services offered;
3. Fee Income – share of the fees paid by customers to Bendigo Bank.

The Opportunity

In 1998, in response to thousands of branch closings in rural areas and small suburban communities by banks across Australia, Bendigo Bank partnered with local communities to create a new "shared value" model—the Community Bank®.

The **Community Bank®** model gives communities the opportunity to start a community owned company that will operate a branch in partnership with Bendigo Bank. Shareholders of the community company are required to have a "close connection" with the serviced community, and broad-based ownership is encouraged limiting individual interest to no more than 10%.

Through this model, Bendigo Bank supports self-selecting communities to run their own branches as franchisees, leveraging the bank's infrastructure and expertise. The branches not only provide community members with financial services, but they also reinvest a portion of their revenue into communities to drive long-term growth.

To select locations for Community Bank® branches, Bendigo Bank applies a unique set of investment criteria, assessing sustainability and growth potential by looking at community initiative, self-organization, community interest in collective advancement, and community preparedness to support a local branch with their own money and business.

The bank's unique Community Bank® model is, in its own words, "Good for business, Good for community". A leading example of CSV in practice.

The Strategy

The Community Bank® model developed by Bendigo Bank is an alternative approach for providing financial services to rural and smaller metropolitan communities – but why was it established? And how does it work?

The Community Bank® model provides communities with the opportunity to set up a community owned company that will conduct a Bendigo Bank retail branch operation.

The aims of the **Community Bank®** model are threefold.

- First, to secure branch banking services for participating communities.
- Secondly, to help these communities better manage locally generated capital and share in the potential growth of their local economy.
- Thirdly, to enable participating communities to share in revenue generated from their Community Bank® enterprise, as well as offering the potential for shareholders to receive dividends.

Each branch operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the system of operations of Bendigo Bank.

By supporting their local branch, communities have the opportunity to generate revenue which may be able to be returned to support and develop the community through community projects, and provide returns to shareholders through dividends - promoting long-term growth.

Locations for Community Bank® branches are assessed using a unique set of investment criteria, considering sustainability and growth potential by looking at community initiative, self-organisation, community interest in collective advancement, and community preparedness to support a local branch with their own money and business.

The model has been highly successful for Bendigo and the franchise model is easily replicated and scaled. Today, the bank has over 850,000 customers in over 320 community- led branches across Australia (20 percent of which are in areas without any other form of banking).

Results – Value for Business and Society

Overview the outcomes of implementing the shared value strategy.

Social outcomes:

- Over 845,000 customers in more than 320 community-led branches across Australia (20 percent of which are in areas without any other form of banking).
- Over 1,580 Branch Staff employed with over 1950 volunteer Directors of local community companies
- Reinvested \$205 million in Australian communities since 1998, including more than 22 million in 17/18 which through leveraged funding more than doubled, bringing the total value of community projects to almost \$58 million
- Almost \$58 million has been paid in dividends to more than 75,000 local shareholders.

Business outcomes:

- **Community Bank®** branches generated over \$37.7 billion in total business at the end of FY18
- Posted average growth rates of 7.4 percent since FY15.

Lessons Learned, Challenges and Outlook

The essence of the Community Bank® concept is in sharing the responsibilities and rewards between the community and the bank. Communities across Australia have accepted the responsibility of providing start-up capital and making their branches successful - and are increasingly reaping rewards that aren't just limited to banking.

In the early days, most attention was focused on how the Community Bank® concept has secured face-to-face banking services for local communities. Of course this is important, but it ignores the tremendous social and economic contributions being made by Community Bank® branches as more capital is retained locally, more commercial activity is stimulated and the confidence of local community leaders increases.

“Shared Value has enabled the bank to very quickly communicate what the Community Bank® model is, and to provide a context to the approach that the bank takes to its business more generally. Shared value is also providing a framework to translate key principles of the Community Bank® model to other businesses with the bank; to enable them to consider shared value strategies of their own.”

“Community Bank® is not a wonder, nor a blunder. It is for the most part a successful new shared-value business model providing solid returns for all parties plus the bonus of great social outcomes.”
Sam Moore

